

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 10349 01 OF 02 211303Z
ACTION AID-31

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 6398

INFO AMEMBASSY TEL AVIV PRIORITY

AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 10349

TEL AVIV FOR AID ADMINISTRATOR GILLIGAN

PARIS FOR US OECD, AID ADMINISTRATOR GILLIGAN

WASHINGTON, ALSO FOR AID

E.O. 11652: GDS

SUBJECT: AID ADMINISTRATOR'S VISIT TO EGYPT

1. FOLLOWING IS OUR REPORT ON MEETING OF AID ADMINISTRATOR
GILLIGAN WITH PRESIDENT SADAT. IT IS BEING REPEATED TO
GOVERNOR GILLIGAN IN TEL AVIV FOR REVIEW AND ANY CHANGES
OR ADDITIONS HE MAY WISH TO MAKE.

2. AID ADMINISTRATOR MET WITH PRESIDENT SADAT IN ALEXANDRIA
ON JUNE 19, IN HOUR LONG, VERY CORDIAL DISCUSSION. ADMINIS-
TRATOR WAS ACCOMPANIED BY AMBASSADOR EILTS, USAID DIRECTOR
BROWN AND ADMINISTRATOR'S SPECIAL ASSISTANTS RAYMOND AND
ELLISON.

3. AFTER PRELIMINARY WARM EXCHANGE OF GREETINGS, SADAT
STATED THAT HE WAS VERY OPTIMISTIC ON EGYPT'S FUTURE.
EGYPT IS OF COURSE FACING IMMEDIATE PROBLEMS AND
WELCOMES THE ASSISTANCE WHICH HAS BEEN EXTENDED BY ITS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 10349 01 OF 02 211303Z

MANY FRIENDS, ESPECIALLY US. HOWEVER, BY 1980 MANY OF
THESE SHORT TERM PROBLEMS SHOULD BE LARGELY OVERCOME.
THE PRESIDENT SAID HE HAD JUST RETURNED FROM AN EXTENDED
VISIT THROUGHOUT THE SUEZ AREA AND WAS HIGHLY ENCOURAGED
BY THE PROGRESS WHICH HE SAW THERE, NOT ONLY
IN RECONSTRUCTION BUT IN POSITIVE ACTIVITIES SUCH AS
EXPANSION IN USE OF THE SUEZ CANAL. THE PRESIDENT STATED

HE WAS CONVINCED THAT IT IS NECESSARY TO GIVE INCREASING ATTENTION TO DEVELOPMENT MATTERS AND THAT HE HAS INSTRUCTED HIS GOVERNMENT THAT IT MUST CUT BACK ON CURRENT EXPENDITURES SO THAT MORE MAY BE DEVOTED TO DEVELOPMENT.

4. ADMINISTRATOR GILLIGAN SAID HE REGRETTED HIS VISIT WAS SO SHORT, BUT THAT HE WELCOMED EVEN THIS BRIEF OPPORTUNITY TO VISIT EGYPT. THIS IS AID'S BIGGEST PROGRAM IN A DEVELOPING COUNTRY AND CONSEQUENTLY ONE OF CONSIDERABLE INTEREST NOT ONLY TO HIMSELF AS ADMINISTRATOR BUT TO THE CONGRESS. HE WAS ENCOURAGED BY THE PROGRESS REPORTED BY THE PRESIDENT AND BY THE KIND OF COOPERATIVE RELATIONSHIPS WHICH WERE DEMONSTRATED BY THE EXISTENCE OF THE CONSULTATIVE GROUP AND ALL IT REPRESENTS. HE SAID THAT PRESIDENT CARTER IS TAKING AN INCREASINGLY GREAT INTEREST IN THE PROBLEMS OF DEVELOPING COUNTRIES AND HOPES TO BE ABLE TO EXPAND SIGNIFICANTLY THE U.S. ROLE IN SUPPORT OF DEVELOPMENT EFFORTS. THIS WILL TAKE MUCH UNDERSTANDING ON THE PART OF THE CONGRESS, ESPECIALLY IN A PERIOD WHEN AMERICAN ECONOMIC CONDITIONS ARE NOT AS FAVORABLE AS WE WOULD LIKE. IT IS FOR THIS REASON THAT THE CONGRESS WILL OBSERVE WITH PARTICULAR INTEREST WHAT RESULTS FROM U.S. AID PROGRAMS IN EGYPT, SINCE THIS IS CLEARLY AN EXAMPLE OF WHAT MIGHT OCCUR FROM LARGER RESOURCES ON A WORLD-WIDE BASIS. UNDER THESE CIRCUMSTANCES, IT IS EVEN MORE IMPORTANT THAN EVER THAT THERE BE GOOD MUTUAL UNDERSTANDING ON WHAT THE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 10349 01 OF 02 211303Z

PROGRAM SHOULD BE SEEKING TO DO AND ON MEANS FOR MEASURING THE DEGREE TO WHICH THESE OBJECTIVES ARE ACHIEVED.

5. THE ADMINISTRATOR ALSO POINTED OUT THE IMPORTANT ROLE THE PRIVATE SECTOR CAN PLAY IN EGYPT'S DEVELOPMENT. THE MOVES TOWARDS PEACE WHICH ARE BEING SUPPORTED BY PRESIDENT SADAT SHOULD BE CONDUCIVE TO FURTHER FOREIGN INVESTMENT. IN EQUAL MEASURE, THE MAKING OF PRIVATE CAPITAL INVESTMENTS IN EGYPT SHOULD HELP TO REINFORCE THE PEACE PROCESS ITSELF.

6. RESPONDING TO THE ADMINISTRATOR'S QUESTION AS TO WHAT THE PRESIDENT SAW AS THE MAIN LINES FOR EGYPTIAN DEVELOPMENT EFFORTS, SADAT REPLIED THAT FIRST HE PARTICULARLY WANTED TO EXPRESS EGYPT'S GRATITUDE TO THE UNITED STATES FOR ITS HELP IN THIS PERIOD. THIS HELP WAS PROVIDING CRITICAL ASSISTANCE AT A TIME OF REAL NEED.

7. AS TO THE LONGER TERM, SADAT REPEATED THAT HE HAD HIGH HOPES. HE FELT THAT EGYPT WAS NOW DEVELOPING A STRATEGY TO OVERCOME THE DESERT AND THUS HAVE MORE ACTIVITY AND SPACE FOR ITS GROWING POPULATION. ADDITIONAL

LAND RECLAMATION IS A PART OF THIS STRATEGY. ORGANIZATION OF NEW CITIES IS ANOTHER. A UNITED STATES AND A SWEDISH FIRM ARE ALREADY INVOLVED IN HELPING DEVELOP PLANS FOR NEW CITIES. THE ESTABLISHMENT OF THESE CITIES WILL OBVIOUSLY HAVE A POPULAR REACTION. HE NOTED THAT WHEN HE RECENTLY INAUGURATED TENTH OF RAMADAN CITY, IT HAD BEEN PLANNED THAT ONE MILLION SQUARE METERS OF LAND WOULD BE PUT ON SALE TO THOSE WHO WISHED TO TAKE PART IN DEVELOPMENT OF THIS NEW CITY. WITHIN SIX HOURS OVER 5 MILLION SQUARE METERS OF LAND HAD BEEN PURCHASED AND THE SALES HAD TO BE STOPPED.

8. SADAT WENT ON TO AGREE THAT PRIVATE INVESTMENT MUST PLAY A CRITICAL ROLE IN EGYPT'S DEVELOPMENT. GERMAN RECONSTRUCTION AFTER WORLD WAR II WAS NOT BASED ON CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 10349 01 OF 02 211303Z

GOVERNMENTAL ACTIONS BUT ON ACTIVITY OF ALL THE POPULATION AND ON US HELP. THAT MUST BE TRUE IN EGYPT. SADAT WENT ON TO SAY THAT HE IS CLEARLY INTERESTED IN JOINT VENTURES IN THE PRIVATE SECTOR WHICH CAN BRING GREATER KNOW-HOW TO EGYPTIAN ACTIVITIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 CAIRO 10349 01 OF 02 211303Z

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 CAIRO 10349 02 OF 02 211321Z
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C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 10349

TEL AVIV FOR AID ADMINISTRATOR GILLIGAN

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9. SADAT STRESSED THAT IN THE IMMEDIATE FUTURE HIS HIGHEST PRIORITIES ARE FOOD, HOUSING AND BETTER SERVICES FOR THE PEOPLE. IN THE LATTER CONNECTION, HE EXPRESSED GREAT PLEASURE THAT THE FIRST AMERICAN BUSES WERE ARRIVING IN ALEXANDRIA AND HOW THIS REPRESENTED THE KIND OF IMPROVED SERVICES THAT THE PEOPLE NEED. HOWEVER, SADAT AGAIN REPEATED, BY 1980 WE HOPE THAT THINGS WILL BE BETTER.

10. ADMINISTRATOR GILLIGAN NOTED THAT MANY OF THE PROJECTS WE HAVE RECENTLY STARTED OR WILL BE STARTING SOON, IN PORT DEVELOPMENT, ELECTRICITY AND THE LIKE, WILL BE REACHING FRUITION IN 1980. WE ARE HOPEFUL THESE WILL ALL CONTRIBUTE TO THE PRESIDENT'S GOALS. THE ADMINISTRATOR STRESSED AGAIN THE NEED TO BE ABLE TO DEMONSTRATE TO THOSE WHO CARE, PARTICULARLY THE CONGRESS, HOW THE ECONOMY IS MOVING AND HOW AID'S PROGRAMS ARE CONTRIBUTING TO THAT MOVEMENT. THIS MAY MEAN HIGH LEVEL REPORTS AND REVIEWS ON A VERY FREQUENT BASIS, BUT THE END RESULT SHOULD BE POSITIVE AND USEFUL.
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PAGE 02 CAIRO 10349 02 OF 02 211321Z

11. PRESIDENT SADAT INDICATED HE FULLY AGREED ON THE NEED FOR COMPLETE REPORTING. RELATIONS WITH THE UNITED STATES ARE FULLY OPEN AND PROPER. REPORTING OF THE KIND SUGGESTED BY THE AID ADMINISTRATOR IS SIMPLY A NORMAL FORM OF EXPRESSION OF THOSE RELATIONS. REPORTING OF THIS SORT IS ALSO ANOTHER FORM OF EXPRESSION OF GRATITUDE FOR THE CRITICAL ROLE U.S. AID PLAYS.

12. THE PRESIDENT TURNED TO SUGGEST THAT THE U.S. ROLE IS IN STRONG CONTRAST WITH THAT OF THE USSR. FONMIN FAHMY HAD JUST RETURNED FROM CONSULTATION THERE. HE HAD TWO MAIN SUBJECTS - MILITARY EQUIPMENT AND DEBT RELIEF. ON MILITARY EQUIPMENT, DISCUSSIONS GOT NOWHERE. THE RUSSIANS EVEN INFORMED FAHMY THAT IN THE FUTURE, EGYPTIAN PURCHASES OF ANY KIND IN THE USSR WOULD HAVE TO BE MADE IN HARD CURRENCY. AS TO THE DEBT RELIEF ISSUE, THAT WAS NOT EVEN DISCUSSED BY THE RUSSIANS.

13. SADAT WENT ON TO SAY THAT USSR, HAVING FAILED TO OBTAIN THE FOREIGN EXCHANGE IT NEEDS FOR SUBSTANTIAL DEVELOPMENT PROGRAMS IN SIBERIA FROM THE UNITED STATES, WAS NOW GETTING THIS FROM LIBYA. HE STATED THAT LIBYA

IS PROVIDING THE USSR WITH ECONOMIC DEVELOPMENT FUNDING OF UP TO \$5 BILLION IN ADDITION TO THE \$2 BILLION IN ARMS WHICH IT IS PURCHASING.

14. EGYPT HAS TOLD THE USSR OF ITS CONCERN ABOUT RUSSIAN ACTIONS ELSEWHERE IN AFRICA. WHILE THE ZAIRE ISSUE NOW SEEMS RESOLVED, THE PROBLEMS OF ETHIOPIA AND THE SUDAN REMAIN ACUTE. BREZHNEV ASSURED FAHMY THAT THE USSR'S ROLE IN ETHIOPIA WAS NOT A THREAT TO THE SUDAN. BUT SADAT HAS MADE IT EQUALLY KNOWN TO THE RUSSIANS THAT ANY THREAT TO CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 10349 02 OF 02 211321Z

THE SUDAN WOULD BE TREATED BY EGYPT AS A THREAT TO ITSELF.

15. TURNING BACK TO A DISCUSSION OF THE PRIVATE SECTOR, SADAT SAID THAT HE WAS PRESSING FOR ACTION ON APPLICATIONS BY U.S. FIRMS UNDER THE INVESTMENT AUTHORITY LAW. AGREEMENT HAS NOW BEEN GIVEN IN PRINCIPLE TO THE FORD AND COCA COLA INVESTMENTS. THIS GIVES EGYPT SOME PROBLEMS BECAUSE OF THE BOYCOTT, BUT HE IS HOPEFUL THAT ACTION ON FORD AND COCA COLA SHOULD NOT YET BE DISCUSSED PUBLICLY.

16. SADAT WENT ON TO SAY HE WAS GLAD THE ADMINISTRATOR WAS GOING TO SUEZ. HE WOULD FIND MUCH THERE THAT HAS BEEN ACHIEVED. 25,000 HOUSING UNITS HAVE BEEN RECONSTRUCTED. 75,000 NEW UNITS HAVE BEEN BUILT. THE SUMED PIPELINE IS IN OPERATION. WORK IS UNDERWAY IN WIDENING AND DEEPENING THE CANAL.

17. AMBASSADOR EILTS RECALLED THAT DURING SENATOR STONE'S RECENT VISIT, THERE HAD BEEN SOME PRELIMINARY DISCUSSION OF THE HUMPHREY AMENDMENT. HE FELT IT MIGHT BE USEFUL TO HAVE THE ADMINISTRATOR SPEAK FURTHER TO THAT.

18. GOVERNOR GILLIGAN SAID THAT THE HUMPHREY AMENDMENT IS ANOTHER CLEAR EXPRESSION OF THE STRONG CONCERN FELT IN THE CONGRESS ABOUT THE IMPORTANCE OF OUR AID EFFORTS IN EGYPT. THE AMENDMENT SEEKS TO ASSURE THAT WE ALL KNOW WHAT WE ARE DOING, THAT WHAT WE DO HAS AN EARLY EFFECT ON BETTERING THE LIVES OF THE PEOPLE, AND THAT WE CAN MEASURE THAT WHAT WE DO HAS THAT EFFECT.

19. THE HUMPHREY AMENDMENT AND SIMILAR EXPRESSIONS OF CONGRESSIONAL CONCERN DO EMPHASIZE THE NEED FOR THE GOE AND USG TO WORK CAREFULLY TOGETHER IN UNDERSTANDING WHAT SHOULD BE DONE IN THE ECONOMY AND THE ROLE AID SHOULD PLAY. THE ADMINISTRATOR EXPRESSED HIS PLEASURE IN THE CONFIDENCE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 10349 02 OF 02 211321Z

AND CONTINUITY WHICH HAD BEEN GIVEN TO THE ECONOMIC GROUP. THIS IS ENCOURAGING IN DEVELOPING THESE STRONG COOPERATIVE RELATIONSHIPS. IN THIS CONNECTION, AMBASSADOR EILTS EXPRESSED CONCERN WITH THE REPORTED EARLY DEPARTURE FROM THE CABINET OF PLAN MINISTER ABDEL REZAK ABDEL MEGUID AND THE HOPE THAT AN EQUALLY ABLE AND DYNAMIC INDIVIDUAL WOULD BE CHOSE TO SUCCEED HIM. MEGUID HAD GIVEN A DYNAMISM TO THE PLANNING PROCESS WHICH IS SORELY NEEDED.

20. THE PRESIDENT RECOGNIZED THAT MEGUID HAS PLAYED AN IMPORTANT ROLE. IN ANY EVENT, HE WILL REMAIN WHERE HE IS UNTIL THE PLAN HAS BEEN PRODUCED. BUT EGYPT HAS OTHER GOOD ECONOMISTS WHO CAN FILL THIS ROLE, ALTHOUGH IT WILL BE DIFFICULT TO FIND ONE AS DYNAMIC AS ABDEL MEGUID. HE SAID IN PARTICULAR THERE ARE GOOD MEN NOW WORKING THE THE GULF AREA THAT HE HAD IN MIND FOR THIS POST.

21. THE MEETING ENDED WITH THE PRESIDENT EXPRESSING HIS HOPE THAT ADMINISTRATOR GILLIGAN WOULD HAVE ANOTHER OPPORTUNITY TO VISIT EGYPT AND TO REMAIN SOMEWHAT LONGER. EILTS

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 CAIRO 10349 02 OF 02 211321Z

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